

**INVITATION FOR OFFER – STRATEGIC PETROLEUM RESERVE FILL
EXCHANGE OF ROYALTY-IN-KIND CRUDE OIL TO MARKET CENTERS
IFO No. 1435-02-03-RP-40403
Deliveries beginning April 1, 2003**

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified companies for the exchange of royalty oil and condensate produced from Federal offshore leases in the Gulf of Mexico for common stream quality crude oil (exchange oil) delivered to five Gulf Coast market centers. This exchange is for a 12-month term beginning April 1, 2003 for all properties except those that produce Mars and TXG crude types and package 10. For Mars and TXG crude types, and package 10, the exchange will be for a 6-month term.

This Invitation for Offer (IFO) is published in coordination with a separate solicitation of the Department of Energy (DOE) in a joint, 3-year initiative to fill the remaining capacity of the Strategic Petroleum Reserve (SPR). Exchange oil under this MMS IFO will be delivered at Gulf Coast market centers to MMS or its designated agent. MMS' designated agent, either DOE or its exchange contractor, is required to accept custody of all exchange oil delivered under the terms of this IFO.

Through a separate solicitation, DOE will contract for the exchange or direct movement of exchange oil resulting from this MMS IFO for crude oil delivered to the SPR. Please see the DOE website at www.spr.doe.gov. Additional MMS and DOE contracting efforts will occur over the course of the SPR initiative until the remaining SPR capacity is filled.

Regarding this MMS IFO, successful offerors will take custody of the royalty oil at offshore delivery points and will be responsible for all movement of royalty oil downstream of these points. Deliveries of exchange oil at market centers will be reduced in volume to pay for the net value difference incurred due to location, quality, and other factors.

Offers must be made in writing and submitted via facsimile (fax no. 303-231-3846) or email (crystal.tobar@mms.gov) by 10:00 a.m. Mountain Time on January 27, 2003. MMS will confirm receipt of all offers. Royalty oil packages will be awarded by 2:00 p.m. Mountain Time on January 31, 2003, except for packages 21, 22, and 23 which will be awarded by February 13, 2003. Technical questions can be addressed to Ms. Crystal Tobar at 303-231-3126. Contracting questions can be addressed to Mr. Terry Grush at 303-231-3932.

Offers

Offerors must be pre-qualified to submit offers. The pre-qualification process is described in our website at <http://www.mrm.mms.gov/RIKweb/Oilprequal.htm>. Successful offerors must submit and have a signed MMS base contract "RIK Crude Oil General Terms and Conditions" on file with MMS. By submission of an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO. MMS reserves the right to reject any offer received.

Exhibit A identifies 26 packages of royalty oil offered. Exhibit B provides further detail on properties, operators, pipelines, delivery points, and other information pertinent to this IFO. Data

in Exhibit B is not warranted. Offerors are expected to contact the appropriate parties for the most recent information. The royalty volumes shown for each delivery point represent the most recent production data available for properties behind the delivery point. You may call Crystel Tobar for a 1-year production history for royalty volumes associated with the delivery points in Exhibit A.

Exhibit A is the offer sheet to be completed and faxed or emailed to Crystel Tobar as the official offer. Offerors must make individual offers on Exhibit A for each offshore delivery point in a package as a value (to the nearest \$0.0001). MMS prefers to transact no more than one award for each package. However, consideration may be given to offers on only part of a royalty oil package if favorable to the government.

Offers must be on the full royalty oil volume to be delivered by the operators of the properties behind the indicated delivery points. Tiered offers that include different prices based on levels of volumes delivered will not be acceptable.

The offer should represent the offeror's view of difference in value between the applicable Gulf Coast market center and the offshore delivery point identified in Exhibit A. Please see the "Quality" section for more information on how to account for gravity and sulfur in your offer.

Offerors may bid on all delivery points in package 26 or just those delivery points in a specific package by segment. MMS may award package 26 as a whole or by segment as package 26a, 26b, and 26c.

Offerors may bid on delivery point GC 65 A in package 10, as any or all crude types Eugene Island, Mars, and Poseidon. For delivery point GC 19 A, also in package 10, offerors may bid as crude types Eugene Island and/or Mars.

Successful offerors are granted the rights to royalty oil delivered by operators at the delivery points indicated in Exhibit A, not the actual entitlement due the Federal government. Imbalances between these two volumes will be resolved between MMS and the operators.

Royalty oil from new wells behind the delivery points listed in Exhibit A that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the delivery points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case by case basis pursuant to mutual consent of MMS and successful offerors.

Successful offerors are obligated to deliver common stream quality crude oil at the following Gulf Coast market centers according to royalty oil type:

<u>Royalty Oil Type</u>	<u>Gulf Coast Market Center</u>
HLS	Empire
Eugene Island	St. James
Bonito	St. James
LLS	St. James
Mars	Clovelly
Poseidon	Houma
TXG	Texas City

Deliveries of exchange oil will occur ratably during the month concurrent with royalty oil receipts.

The following formula will be used to calculate a Delivery Percentage to be applied to royalty oil volumes received at the offshore delivery point to arrive at volumes of exchange oil to be delivered to DOE or its exchange contractor and volumes retained by successful offerors as described under "Transportation and Scheduling of Royalty Oil":

$$\frac{\text{Platts Trade Month Price} - X}{\text{Platts Trade Month Price}}$$

Where: Platts Trade Month Price: Average of the daily high and low spot price quotes (to the nearest \$0.0001) as published in Platts Oilgram Price Report for the relevant market center for the crude type package exchanged for the period beginning the 26th of the second month prior to the Delivery Month and ending on **the 20th of the month prior to the Delivery Month**. For crude type designated as "TXG" offerors should use Platts crude type "WTI".

X: Accepted offer for the royalty oil.

Delivery Month: Physical month of delivery.

In the event that DOE rejects any offers for redelivery into the SPR of exchange oil related to successfully awarded royalty oil packages in this MMS IFO, the MMS award for such royalty oil packages will be for an outright purchase (see Exhibit C) at the offshore delivery points specified in Exhibit A.

MMS will consider offers based on alternative proposed transactional structures for either the exchange or direct movement of Mars crude in packages 21, 22, and 23 from delivery point to SPR facilities. Such proposals will be evaluated relative to the combined exchange costs implicit in offers resulting from both the MMS and DOE solicitations.

Term

Deliveries of royalty oil to successful offerors will commence April 1, 2003, and end March 31, 2004 or September 30, 2003 for packages 10, 21, 22, 23, and 26.

Transportation and Scheduling of Royalty Oil

Successful offerors are responsible for transporting all royalty oil volumes downstream of the delivery points specified in Exhibit A. Successful offerors must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at each of the delivery points where royalty oil is received. When nominating to the pipeline, you are required to indicate that the nomination is on behalf of MMS.

Exhibit D identifies transportation rate agreements that MMS has arranged with Marathon Pipeline. For royalty oil volumes associated with this pipeline, successful offerors may, at their discretion, be designated as MMS' agent under this transportation agreement for the transportation rates and terms specified in Exhibit D. Offerors must indicate on Exhibit A whether they elect to use the MMS arranged transportation rate. The successful offeror's contract will be amended in the event that there is an increase or decrease in transportation costs relating to properties awarded during the term of the contract.

MMS has arranged buy/sell agreements with Main Pass Oil Gathering System (MPOG) for package 7. For royalty oil volumes associated with this pipeline, successful offerors may, at their

discretion, be designated as MMS' agent under this buy/sell agreement. Offerors must indicate on Exhibit A whether they elect to use the MMS arranged buy/sell rate. Offers will be based on the costs from MP69 into Empire. Upon award of these barrels, the successful offer will be adjusted to include the MMS buy/sell rate from the delivery point to MP69 (across the MPOG line). The successful offeror's contract will be amended in the event that there is an increase or decrease in buy/sell rates relating to properties awarded during the term of the contract. MMS' agent will be subject to a confidentiality agreement related to this buy/sell. If the offeror elects not to use the MMS arranged buy/sell rate, offers will be from the package 7 delivery points to Empire.

Within 10 days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, successful offerors must request in writing to all pipeline companies that will move royalty oil, that MMS royalty volumes be separately itemized on pipeline statements and/or invoices at both the receipt and delivery point. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data that breaks out the MMS volumes delivered or use a measurement facilitator designated by the pipeline.

Successful offerors, through customary industry practice, will communicate directly with MMS and the operator, and will make arrangements for the delivery and transfer of royalty oil from the identified properties. Successful offerors, at their expense, will make all necessary arrangements to receive delivery of royalty oil at the delivery point(s). Successful offerors are not responsible for any costs of transportation upstream of the delivery point(s).

No later than 8 business days before the first day of each Delivery Month, the MMS and successful offerors will jointly communicate and agree on the Delivery Percentage and the anticipated daily royalty oil volumes for the following month of production. At the same time, MMS and successful offerors will apply this mutually agreed upon Delivery Percentage to the daily volumes anticipated to arrive at an agreed upon volume of exchange oil to be delivered to DOE or its agent. This Delivery Volume will be delivered ratably during the Delivery Month unless force majeure events apply or the applicable pipeline cuts successful offerors' nominations. Successful offerors understand that nominations are not warranties of actual deliveries to be made but are provided to facilitate planning of delivery of royalty oil. This process will continue each month for the term of this IFO.

Successful offerors will provide MMS with pipeline statements and any third party documentation by the 12th business day of the month following the month of production.

The operators of properties offered in this IFO will use reasonable efforts, consistent with industry practice, to inform MMS and/or successful offerors regarding significant changes in royalty oil production levels and production shut-ins.

Imbalances

Property imbalances are defined as differences between volumes delivered to successful offerors by lease operators at the offshore delivery points indicated on Exhibit A and volumes entitled to the United States as Lessor. MMS and the operator will jointly monitor these imbalances. Routine imbalances will be resolved by adjustments in the volume of royalty oil delivered to successful offerors in the second month following the month of delivery unless otherwise approved by MMS. These adjustments will be reflected in communications from MMS to the successful offeror regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator. MMS will consult with successful offerors in this process. The contract price under this IFO may form the basis of resolution of certain extraordinary imbalances between MMS and operators. The rights and responsibilities of operators under RIK oil situations are outlined in MMS' Sample "Dear Operator" letter included as Exhibit E.

Market center imbalances are defined as the difference between the Delivery Volumes at the Gulf Coast market centers based on nominations and the actual volumes delivered to the successful offeror at the offshore delivery point adjusted by the Delivery Percentage. The successful offeror will resolve these imbalances by adjusting the Delivery Volumes in the month following the month of delivery unless otherwise approved by MMS.

Market center imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the successful offeror. The outright purchase price shown in Exhibit C under this IFO may form the basis of resolution of certain extraordinary imbalances between MMS and the successful offerors.

Quality

For crude types Eugene Island, Mars, Poseidon, HLS package 7 (MPOG), HLS package 8 (West Delta/Marlin P/L), LLS package 20 (ExxonMobil P/L into South Bend, LA), and Bonito package 25 (Auger P/L), quality bank debits/credits should not be reflected in your offer. Successful offerors will passback to MMS all quality bank(s) debits/credits received from the quality bank administrator. For package 10, where offerors can bid on any or all crude types Eugene Island, Mars, or Poseidon, the quality bank debit/credit will be based on the crude type of the awarded offer.

For crude type TXG and Bonito package 14 (Bonito P/L), quality bank debits/credits should not be reflected in your offer as they will be passed back to the MMS by the operator.

For crude types HLS and LLS (except packages 7, 8, and 20 as shown above) quality bank debits/credits should be reflected in your offer. Successful offerors will not pay MMS for quality bank debits/credits received.

Payments of quality bank credits must be made to MMS the month after quality bank credits are received. MMS will pay invoices from successful offerors for all quality bank debits received from the quality bank administrator. All quality bank data must be accompanied by supporting documentation.

Consideration of Offers

MMS may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted above under "Imbalances" with respect to resolution of extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. MMS will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation."

Neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to implement any transaction as described above in the Transportation and Scheduling of Royalty Oil section, or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index.

Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

Pre-qualification and Credit Requirements

Offerors are required to pre-qualify by signing the MMS base contract "RIK Crude Oil General Terms and Conditions" and providing detailed financial information. Please visit our web site at <http://www.mrm.mms.gov/RIKweb/Oilprequal.htm> regarding pre-qualification information. Upon pre-qualification, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases where offerors that have previously submitted financial documentation for 2001 or 2002, no additional information will be required. However, MMS reserves the right to request updated financial information in any situation it deems as reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, successful offerors will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument within 5 business days prior to first delivery of oil under the contract. If additional security is required, successful offerors will be notified, and such notice will be included in the sales transaction confirmation.

The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for a period beginning on the date of first delivery under the contract and ending when receipt of final delivery or payment under the contract is verified. Failure to provide adequate financial assurance when requested may result in a loss of award, unless the MMS Contracting Officer extends the date.

A sample of the ILOC, MMS Form-4071, may be found on the MMS web site at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf>. Use MMS Form-4072 <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf> for Bonds. The financial institution issuing the ILOC or Surety Company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

The financial assurance amount shall be sufficient to cover the value of 30 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. The value of the financial assurance should be calculated as the price per barrel using the offer amount applied to the monthly calendar mean for the Platts crude

type price as published in Platts for February 2003. Multiply this amount by the daily royalty production (estimated in Exhibit A) multiplied by 30 days. Finally, subtract the amount of unsecured credit issued by MMS, available for this offer.

Significant and sustained increases in the value of crude oil during the term of the contract may result in a requirement to increase the amount of financial assurance. Further, should the creditworthiness, financial responsibility or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or a surety instrument in a form and amount satisfactory to MMS. Failure to provide additional performance assurances when requested may result in early termination of the contract.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive a contract.

Payment

As stipulated in the MMS base contract "MMS RIK Crude Oil General Terms and Conditions," successful offerors must provide payments to MMS Crude Oil RIK Accounting by the 20th of the month following the month of production. If this date falls on a Saturday, Sunday or any Federal holiday, the payment is due the following business day. The "MMS Crude Oil Transaction Confirmation" provides instructions for submitting payments.

PAPERWORK REDUCTION ACT STATEMENT: The Paperwork Reduction Act of 1995 requires us to inform you that the information being collected under this IFO is necessary to document fulfillment of royalty obligations and sales of minerals from leases on Federal lands. We will use this information to evaluate offers on sales of royalty production. The estimated burden to report is approximately one hour each for an offer document, letter of credit or bond, or financial statement or pre-qualification document. Suggestions on reducing this burden should be directed to the Information Collection Clearance Officer, MS 4230, MMS, 1849 C Street, N.W., Washington, D.C. 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Departmental Regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures. An agency may not conduct or sponsor and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number.

5 Exhibits:

- Exhibit A – Offer Sheet
- Exhibit B – RIK Property Profile Detail
- Exhibit C – Contingency for Outright Purchase
- Exhibit D – Marathon Transportation and Dedication Rates
- Exhibit E – Sample Dear Operator Letter

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered At	Delivery Point Royalty Volume (bbls/day)	Gravity	Sulfur	"X" Offer Quality Bank Debits/Credits Included	"X" Offer Quality Bank Debits/Credits Not Included	Accept MMS' Transportation or Buy/Sell (Yes or No)
• Offers for 12-month term only								• Offers for 12-month term only		
1	HLS	Empire	SP 65 A	SP 65 A	335	30.3	N/A		//////////	//////////
2	HLS	Empire	VK 786 A	VK 786 A	6,210	31.3	N/A		//////////	//////////
2	HLS	Empire	MP 310 A	MP 310 A	565	33.8	N/A		//////////	//////////
2	HLS	Empire	MP 289 C	MP 289 C	350	26.3	N/A		//////////	//////////
2	HLS	Empire	MP 259 A	MP 259 A	700	38.4	N/A		//////////	//////////
2	HLS	Empire	MP 296 B	MP 296 B	260	21.4	N/A		//////////	//////////
2	HLS	Empire	MP 296 C	MP 296 C	70	21.4	N/A		//////////	//////////
3	HLS	Empire	SP 87 D	SP 87 D	395	46.0	N/A		//////////	
3	HLS	Empire	SP 86 C	SP 86 C	205	40.0	N/A		//////////	
3	HLS	Empire	WD 79 A	WD 79 A	165	37.6	N/A		//////////	
4	HLS	Empire	SP 50 SSTI	MC 109	1,850	28.0	N/A		//////////	//////////
4	HLS	Empire	Venice, LA	WD 117	310	30.0	N/A		//////////	//////////
4	HLS	Empire	SP 77 A	SP 77 A	1,035	37.4	N/A		//////////	//////////
4	HLS	Empire	Venice, LA	Venice, LA	600	33.1	N/A		//////////	//////////
4	HLS	Empire	SP 49 A	SP 49 A	335	29.3	N/A		//////////	//////////
5	HLS	Empire	MP 299 A	MP 299 FP	380	34.9	N/A		//////////	//////////
5	HLS	Empire	MP 299 B	MP 299 FP	725	34.9	N/A		//////////	//////////
5	HLS	Empire	MP 144	MP 299 FP	275	34.9	N/A		//////////	//////////
5	HLS	Empire	MP 127 SSTI	MP 30 A	220	34.6	N/A		//////////	//////////
6	HLS	Empire	ST 52 C	ST 52 C	925	37.8	N/A		//////////	//////////
6	HLS	Empire	ST 26 A	ST 26 A	335	36.0	N/A		//////////	//////////
6	HLS	Empire	ST 37 J	ST 37 J	2,950	33.9	N/A		//////////	//////////
6	HLS	Empire	ST 72 B	ST 72 B	225	38.7	N/A		//////////	//////////
6	HLS	Empire	ST 130 AUX	ST 130 AUX	170	34.6	N/A		//////////	//////////
7	HLS	Empire	VK 826	VK 826	1,690	31.8	N/A	//////////		
7	HLS	Empire	VK 915	VK 915	4,210	44.5	N/A	//////////		
7	HLS	Empire	MP 281 A	MP 281 A	1,445	44.5	N/A	//////////		
8	HLS	Empire	WD 133i	WD 133 B	500	35.2	N/A	//////////		//////////
8	HLS	Empire	MC 311	MC 311 A	130	39.7	N/A	//////////		//////////
9	HLS	Empire	WD 103i	WD 104 C	550	31.7	N/A		//////////	//////////
9	HLS	Empire	WD 89	WD 89 A	190	37.1	N/A		//////////	//////////
9	HLS	Empire	WD 90	WD 90 A	220	28.4	N/A		//////////	//////////
9	HLS	Empire	WD 106i	WD 106 A	260	42.0	N/A		//////////	//////////
11	EI	St. James	SM 128 A	SM 128 A	1,400	40.7	0.17%	//////////		//////////
11	EI	St. James	SS 181 B	SS 181 B	350	29.2	0.32%	//////////		//////////
12	EI	St. James	EW 989 SSTI	GC 18 A	1,150	31.0	1.43%	//////////		//////////
13	EI	St. James	VR 369 SSTI	VR 386 B	870	32.0	0.58%	//////////		
13	EI	St. James	SM 137 SSTI	VR 356 A	200	25.9	1.01%	//////////		
14	Bonito	St. James	EI 360 E	EI 360 E	1,210	36.1	0.84%	//////////		//////////
14	Bonito	St. James	EI 330 S	EI 330 S	1,530	31.2	1.10%	//////////		//////////
14	Bonito	St. James	EI 339 B	EI 339 B	1,290	31.4	1.40%	//////////		//////////
14	Bonito	St. James	EI 330 SSTI	EI 314 A	450	34.3	0.80%	//////////		//////////
15	LLS	St. James	EI 254 SSTI	EI 252 I	2,330	39.4	unknown		//////////	//////////
16	LLS	St. James	EI 259 SSTI	EI 258 B	450	35.0	0.52%		//////////	//////////
16	LLS	St. James	EI 259 SSTI	SS 274 C	200	37.0	unknown		//////////	//////////
16	LLS	St. James	EI 259 SSTI	EI 276 B	285	35.0	unknown		//////////	//////////
17	LLS	St. James	WC 498 B	WC 498 B	160	35.2	unknown		//////////	//////////
17	LLS	St. James	VR 214 A	VR 214 A	-	36.8	unknown		//////////	//////////
17	LLS	St. James	EI 174 SSTI	EI 182 A	335	29.6	0.32%		//////////	//////////
17	LLS	St. James	EI 176 A	EI 175 C	200	36.1	unknown		//////////	//////////
18	LLS	St. James	VR 331 SSTI	VR 315 A	90	38.2	unknown		//////////	//////////
18	LLS	St. James	VR 376 A	VR 376 A	370	36.7	unknown		//////////	//////////

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell		
3	HLS	Empire	WD 79 A	WD 79 A	20177194600		054-001449-0	WD	57	16.67%	Amerada Hess Corp.				South Pass-West Delta System (Marathon P/L) into Chevron Texaco P/L	yes	Marathon (note 2)		
							054-001874-0	WD	79	16.67%	Amerada Hess Corp.						yes		
							054-001989-0	WD	80	16.67%	Amerada Hess Corp.								
							054-002136-0	WD	80	16.67%	Amerada Hess Corp.								
							754-392002-0	WD	79	16.67%	Amerada Hess Corp.								
							891-013841-0	WD	79	16.67%	Amerada Hess Corp.								
							• FMP 20177194600 Total					165	37.6	N/A					
							SPWD (Marathon P/L) Total					765							
4	HLS	Empire	SP 50 SSTI	MC 109	20608174952	Amberjack	054-005825-0	MC	109	16.67%	BP Expl. and Prod.				Chevron Texaco P/L	yes			
						Amberjack	054-009777-0	MC	108	16.67%	BP Expl. and Prod.								
						Orion	054-018192-0	MC	110	12.50%	Shell Offshore								
							• FMP 20608174952 Total					1,850	28.0	N/A					
4	HLS	Empire	Venice, LA	WD 117	20177204300		054-001101-0	WD	117	16.67%	Chevron Texaco				Chevron Texaco P/L	yes			
							054-009690-0	WD	118	16.67%	Chevron Texaco								
							• FMP 20177204300 Total					310	30.0	N/A					
4	HLS	Empire	SP 77 A	SP 77 A	20177224701		054-002184-0	SP	77	16.67%	Chevron Texaco				Chevron Texaco P/L	yes			
							054-002940-0	SP	57	16.67%	Chevron Texaco								
							054-002941-0	SP	58	16.67%	Chevron Texaco								
							• FMP 20177224701 Total					1,035	37.4	N/A					
4	HLS	Empire	Venice, LA	Venice, LA	20170755200		054-001676-0	MP	305	16.67%	Samedan Oil Corporation				Chevron Texaco P/L	yes			
							054-001677-0	MP	306	16.67%	Samedan Oil Corporation								
							054-016500-0	MP	138	16.67%	Newfield Exploration								
							054-021712-0	MP	293	16.67%	Samedan Oil Corporation								
							• FMP 20170755200 Total					600	33.1	N/A					
4	HLS	Empire	SP 49 A	SP 49 A	20177214950		054-002176-0	SP	48	16.67%	UNOCAL				Chevron Texaco P/L	yes			
							054-002177-0	SP	49	16.67%	Chevron Texaco								
							054-003206-0	MC	63	16.67%	Chevron Texaco								
							054-009699-0	SP	50	16.67%	Maritech Resources								
							891-020241-0	SP	49	16.67%	Chevron Texaco								
							• FMP 20177214950 Total					335	29.3	N/A					
							West Bay Area Total					4,130							
5	HLS	Empire	MP 299 A	MP 299 FP	20177245400		891-008850-0	MP	299	16.67%	Chevron Texaco	380	34.9	N/A	Chevron Texaco P/L	yes			
			MP 299 B	MP 299 FP			891-008850-0	MP	299	16.67%	Chevron Texaco	725	34.9	N/A					
			MP 144	MP 299 FP			054-001634-0	MP	144	16.67%	Chevron Texaco	275	34.9	N/A					
							• FMP 20177245400 Total					1,380	34.9	N/A					
5	HLS	Empire	MP 127 SSTI	MP 30 A	20177255307		054-004903-0	MP	30	16.67%	Chevron Texaco				Chevron Texaco P/L	yes			
							• FMP 20177255307 Total					220	34.6	N/A					
							Main Pass Area Total					1,600							
6	HLS	Empire	ST 52 C	ST 52 C	2017715360A		054-001240-0	ST	51	16.67%	Chevron Texaco				Chevron Texaco P/L	yes			
							054-001241-0	ST	52	16.67%	Chevron Texaco								
							054-002624-0	ST	36	16.67%	Chevron Texaco								
							054-002625-0	ST	37	16.67%	Chevron Texaco								
							054-003336-0	ST	35	16.67%	Chevron Texaco								
							054-013928-0	ST	30	16.67%	Chevron Texaco								
							• FMP 2017715360A Total					925	37.8	N/A					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell
6	HLS	Empire	ST 26 A	ST 26 A	2017715360C		891-016953-0	ST	26	16.67%	Energy Partners				Energy Partners P/L into	yes	
							054-001361-0	ST	26	16.67%	Energy Partners				Chevron Texaco P/L	yes	
							054-001870-0	ST	26	16.67%	Energy Partners						
							• FMP 2017715360C Total		335	36.0	N/A						
6	HLS	Empire	ST 37 J	ST 37 J	2017715360E		054-002625-0	ST	37	16.67%	Chevron Texaco				Chevron Texaco P/L	yes	
							054-009637-0	ST	38	16.67%	Chevron Texaco						
							054-014518-0	ST	48	16.67%	Chevron Texaco						
							• FMP 2017715360E Total		2,950	33.9	N/A						
6	HLS	Empire	ST 72 B	ST 72 B	2017715360F		054-001244-0	ST	72	16.67%	Forest Oil Corp.				Chevron Texaco P/L	yes	
							054-021122-0	PL	24	16.67%	Forest Oil Corp.						
							• FMP 2017715360F Total		225	38.7	N/A						
6	HLS	Empire	ST 130 AUX	ST 130 AUX	20177153604		054-005660-0	GI	86	16.67%	Chevron Texaco				Chevron Texaco P/L	yes	
							055-000456-0	ST	130	16.67%	Chevron Texaco						
							055-000457-0	ST	131	16.67%	Chevron Texaco						
							055-000459-0	ST	133	16.67%	Chevron Texaco						
							• FMP 20177153604 Total		170	34.6	N/A						
Fourchon Total		4,605															
7	HLS	Empire	VK 826	VK 826	20608165111	Neptune	754-393003-A	VK	826	12.50%	Kerr-McGee				MPOG into	no	MPOG
							054-013065-0	VK	869	12.50%	Kerr-McGee				Delta P/L or Cypress P/L	yes	
							• FMP 20608165111 Total		1,690	31.8	N/A						
7	HLS	Empire	VK 915	VK 915	20608165114	Nile Marlin King Project	054-008785-0	VK	914	12.50%	BP Expl. and Prod.				MPOG into	no	MPOG
							754-396011-A	VK	915	12.50%	BP Expl. and Prod.				Delta P/L or Cypress P/L	yes	
							754-396002-A	MC	84	12.50%	BP Expl. and Prod.						
							• FMP 20608165114 Total		4,210	44.5	N/A						
7	HLS	Empire	MP 281 A	MP 281 A	2017724511G		054-010910-0	MP	281	16.67%	Dominion E & P				MPOG into	no	MPOG
							054-014585-0	MP	264	16.67%	BP Expl. and Prod.				Delta P/L or Cypress P/L	yes	
							054-015395-0	MP	275	16.67%	BP Expl. and Prod.						
							054-016514-0	MP	279	16.67%	Dominion E & P						
							054-016515-0	MP	280	16.67%	Dominion E & P						
• FMP 2017724511G Total		1,445	44.5	N/A													
MPOG Total		7,345															
8	HLS	Empire	WD 133i	WD 133 B	20177203900		054-001106-0	WD	133	16.67%	BP Expl. and Prod.				(Shell Bourbon P/L into) West Delta/Marlin P/L	no	STUSCO
							054-001604-0	WD	152	16.67%	Newfield Exploration						
							054-002161-0	GI	76	16.67%	Forest Oil Corp.						
							054-003182-0	GI	75	16.67%	Forest Oil Corp.						
							054-010988-0	MC	357	16.67%	Mariner Energy Inc.						
							054-013645-0	WD	122	16.67%	BP Expl. and Prod.						
							054-019843-0	WD	121	16.67%	BP Expl. and Prod.						
• FMP 20177203900 Total		500	35.2	N/A													
8	HLS	Empire	MC 311	MC 311 A	20608173900		754-390003-0	MC	311	multiple	Shell Offshore				(Shell private line into) West Delta/Marlin P/L	no	STUSCO
							054-002968-0	MC	311	16.67%	Shell Offshore						
							• FMP 20608173900 Total		130	39.7	N/A						
WD 133B & MC 311 A Total		630															
9	HLS	Empire	WD 103i	WD 104 C	20177193903		055-000840-0	WD	103	16.67%	Apache Corp.				West Delta/Marlin P/L	no	STUSCO
							055-000841-0	WD	104	16.67%	Apache Corp.						
							055-000842-0	WD	105	16.67%	Apache Corp.						
							• FMP 20177193903 Total		550	31.7	N/A						

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell
9	HLS	Empire	WD 89	WD 89 A	20177193905		054-001088-0 054-010882-0	WD WD	89 88	16.67% 16.67%	Agip Petroleum Co. Inc. Agip Petroleum Co. Inc.				(Agip private line into) West Delta/Marlin P/L	no	STUSCO
											• FMP 20177193905 Total	190	37.1	N/A			
9	HLS	Empire	WD 90	WD 90 A	20177193906		054-001085-0 054-001089-0 054-012360-0	WD WD WD	75 90 103	16.67% 16.67% 16.67%	BP Expl. and Prod. BP Expl. and Prod. BP Expl. and Prod.				(BP private line into) West Delta/Marlin P/L	no	STUSCO
											• FMP 20177193906 Total	220	28.4	N/A			
9	HLS	Empire	WD 106i	WD 106 A	20177193907		754-392006-0	WD	106	16.67%	Walter Oil & Gas Corp.				(Walter private line into) West Delta/Marlin P/L	no	STUSCO
											• FMP 20177193907 Total	260	42.0	N/A			
											West Delta/Marlin P/L Total	1,220					
10 *	EI or Mars	St. James or Clovelly	GC 19 A	GC 19 A	20608112953	Boxer	054-004131-0 054-015531-0	GC GC	19 20	16.67% 16.67%	Shell Offshore Shell Offshore				Boxer P/L into Eugene Island P/L into Shell's S. LA Sys. or; Amberjack P/L into Mars Oil P/L or;	yes yes	
											• FMP 20608112953 Total	65	30.7	1.20%			
10 *	EI or Mars or Poseidon	St. James or Clovelly or Houma	GC 65 A	GC 65 A	20608117000	Troika Bullwinkle Rocky Angus Angus Manatee Aspen	754-393016-A 754-399006-A 054-014023-0 054-015545-0 054-015546-0 054-016698-0 054-020051-0	GC GC GC GC GC GC GC	244 65 110 112 113 155 243	12.50% 12.50% 12.50% 12.50% 12.50% Royl Rel. Royl Rel.	BP Expl. and Prod. Shell Offshore Shell Offshore Shell Offshore Shell Offshore Shell Offshore BP Expl. and Prod.				Amberjack P/L or; Amberjack P/L into Boxer P/L into EIPL into Shell's S. LA Sys. or; Shell 12" into Boxer P/L (except Angus) into EIPL into Shell's S. LA Sys. or; Shell 12" P/L (except Angus) into Shell Trading 12" P/L into Poseidon P/L	yes yes yes no no	STUSCO Poseidon
											• FMP 20608117000 Total	7,500	35.9	1.10%			
											GC 19 & GC 65 Total	7,565					
11	EI	St. James	SM 128 A	SM 128 A	20177082951		054-002587-0 054-002882-0 054-002883-0 054-002885-0	SM SM SM SM	128 125 127 141	16.67% 16.67% 16.67% 16.67%	Devon Energy Devon Energy Devon Energy Devon Energy				Eugene Island P/L into Shell's South Louisiana System	yes	
											• FMP 20177082951 Total	1,400	40.5	0.17%			
11	EI	St. James	SS 181 B	SS 181 B	20177112951		054-004231-0	SS	181	16.67%	Chevron Texaco				Shell P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
											• FMP 20177112951 Total	350	29.2	0.32%			
											SM 128 A & SS181B Total	1,750					
12	EI	St. James	EW 989 SSTI	GC 18 A	20608112950		054-004940-0 054-005809-0 054-014021-0	GC EW GC	18 944 60	16.67% 16.67% 16.67%	ExxonMobil Corp. ExxonMobil Corp. ExxonMobil Corp.				Boxer P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
											• FMP 20608112950 Total	1,150	31.0	1.43%			
											GC 18 A Total	1,150					
13	EI	St. James	VR 369 SSTI	VR 386 B	20177062954		054-015212-0	VR	408	16.67%	Houston Exploration				(Marathon P/L capacity into EIPL) into Shell's South Louisiana System	yes	Marathon (note 2)
											• FMP 20177062954 Total	870	32.0	0.58%			
13	EI	St. James	SM 137 SSTI	VR 356 A	20177062959		054-017921-0	VR	356	16.67%	EI Paso				(Marathon P/L capacity into EIPL) into Shell's South Louisiana System	yes	Marathon (note 2)
											• FMP 20177062959 Total	200	25.9	1.01%			
											VR 386 B & VR 356 A Total	1,070					
14	Bonito	St. James	EI 360 E	EI 360 E	2017710260K		054-002323-0 054-002324-0 054-003410-0 054-003783-0	EI EI EI EI	360 361 352 353	16.67% 16.67% 16.67% 16.67%	Chevron Texaco Chevron Texaco Newfield Exploration Chevron Texaco				(Chevron P/L capacity into Bonito P/L) into Ship Shoal P/L	yes	
											• FMP 2017710260K Total	1,290	36.1	0.84%			

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell	
14	Bonito	St. James	EI 330 S	EI 330 S	20177102607		054-002115-0 891-016943-0	EI EI	330 330	16.67% 16.67%	Devon Energy Devon Energy • FMP 20177102607 Total				Bonito P/L into Ship Shoal P/L	yes		
14	Bonito	St. James	EI 339 B	EI 339 B	20177102609		054-002118-0 054-002318-0 054-003783-0 054-003783-0 054-010752-0	EI EI EI EI EI	338 339 353 353 354	16.67% 16.67% 16.67% 16.67% 16.67%	Chevron Texaco Chevron Texaco Apache Corp. Chevron Texaco Apache Corp. • FMP 20177102609 Total				(Chevron private line) into Bonito P/L into Ship Shoal P/L	yes		
14	Bonito	St. James	EI 330 SSTI	EI 314 A	20177102605	Teal	054-002111-0 891-016927-0 891-016928-0 891-016929-0 891-016937-0	EI EI EI EI EI	314 330 330 330 330	16.67% 16.67% 16.67% 16.67% 16.67%	ExxonMobil Corp. ExxonMobil Corp. ExxonMobil Corp. ExxonMobil Corp. ExxonMobil Corp. • FMP 20177102605 Total				Bonito P/L into Ship Shoal P/L	yes		
												Bonito P/L Total	4,480					
15	LLS	St. James	EI 254 SSTI	EI 252 I	2017709260K		054-000979-0 054-000981-0 054-000982-0 054-000983-0 054-010741-0 891-008813-0	EI EI EI EI EI EI	230 237 238 252 253 231	16.67% 16.67% 16.67% 16.67% 16.67% 16.67%	Chevron Texaco Chevron Texaco Chevron Texaco Chevron Texaco Chevron Texaco Chevron Texaco • FMP 2017709260K Total				Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO	
												EI 252 I Total	2,330					
16	LLS	St. James	EI 259 SSTI	EI 258 B	20177092609		054-001958-0 054-001959-0 054-002103-0	EI EI EI	255 258 257	16.67% 16.67% 16.67%	Nexen Petroleum Nexen Petroleum Nexen Petroleum • FMP 20177092609 Total				Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO	
												EI 258 B & SS 274 C Total	935					
16	LLS	St. James	EI 259 SSTI	SS 274 C	2017712260E		054-001039-0 054-001043-0 054-002923-0 054-012000-0	SS SS SS SS	274 293 291 292	16.67% 16.67% 16.67% 16.67%	Apache Corp. Apache Corp. Apache Corp. Apache Corp. • FMP 2017712260E Total				Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO	
16	LLS	St. James	EI 259 SSTI	EI 276 B	20177102601		054-000989-0	EI	276	16.67%	UNOCAL • FMP 20177102601 Total				UNOCAL Pipeline into Central Gulf Gathering into Tarpon P/L into Ship Shoal P/L	yes no yes	STUSCO	
17	LLS	St. James	WC 498 B	WC 498 B	20177022600		054-003520-0 054-015105-0	WC WC	498 519	16.67% 16.67%	EI Paso EI Paso • FMP 20177022600 Total				Coastal P/L into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	Coastal STUSCO	
17	LLS	St. James	VR 214 A	VR 214 A	20177052600		054-002076-0 054-011877-0	VR VR	214 213	16.67% 16.67%	Chevron Texaco NCX Company, Inc. • FMP 20177052600 Total	(see note 4)	36.8	unknown	Chevron P/L into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	yes no yes	STUSCO	
17	LLS	St. James	EI 174 SSTI	EI 182 A	2017709260C		054-003782-0 054-004451-0 054-004452-0	EI EI EI	174 181 182	16.67% 16.67% 16.67%	Newfield Exploration Newfield Exploration Newfield Exploration • FMP 2017709260C Total				Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO	

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell
20	LLS	St. James	VR 250 SSTI	VR 250 C	20177052203		054-001149-0	VR	250	16.67%	El Paso				ExxonMobil P/L into ExxonMobil S. LA System	yes	
							054-005431-0	VR	252	16.67%	Seneca Resources Corp.						
							054-005431-0	VR	252	16.67%	El Paso						
							054-017912-0	VR	253	16.67%	El Paso						
											• FMP 20177052203 Total	620	34.2	unknown			
20	LLS	St. James	EC 338 A	EC 338 A	20177042205		054-002063-0	EC	338	16.67%	Kerr-McGee				Marathon P/L into ExxonMobil P/L into ExxonMobil S. LA. System	yes	
							054-014385-0	EC	349	16.67%	W & T Offshore						
							054-015157-0	EC	350	16.67%	W & T Offshore						
											• FMP 20177042205 Total	250	39.3	unknown			
20	LLS	St. James	EC 332 A	EC 332 A	20177042208		754-392008-0	EC	331	16.67%	Samedan Oil Corporation				Marathon P/L into ExxonMobil P/L into ExxonMobil S. LA. System	yes	
											• FMP 20177042208 Total	150	38.1	unknown			
20	LLS	St. James	EC 272 D	EC 272 D	20177042201		054-002047-0	EC	272	16.67%	Chevron Texaco				ExxonMobil P/L into (ExxonMobil S. LA System)	yes	
											• FMP20177042201 Total	220	28.0	0.53%			
20	LLS	St. James	SM 40 SSTI	SM 39 A	20177072207		054-016320-0	SM	39	16.67%	Westport Resources Corp.				Exxon Mobil P/L into ExxonMobil S. LA System	yes	
							054-021614-0	SM	35	16.67%	Remington O&G Corp.						
											• FMP 220177072207 Total	200	37.4	unknown			
											ExxonMobil P/L Total	2,540					
21 *	Mars	Clovelly	GI 116 A	GI 116 A	20177183651		754-398019-A	GI	116	16.67%	Anadarko Petroleum Corp.				Amberjack P/L into Mars Oil P/L	yes	
											• FMP 20177183651 Total	450	42.0	0.47%			
21*	Mars	Clovelly	GC 158 A	GC 158 A	20608113652	Brutus	754-395014-A	GC	158	12.50%	Shell Offshore				Brutus P/L into Amberjack P/L into Mars Oil P/L or;	yes	
											• FMP 20608113652 Total	9,125	35.2	1.38%	Amberjack P/L to SS301 to SS332 into	yes	
															Poseidon P/L; Delivery at Houma	no	Poseidon
21*	Mars	Clovelly	GI 115 SSTI	EW 921 A	20608103651	Morpeth	754-397011-A	EW	965	12.50%	Agip Petroleum Co. Inc.				Amberjack P/L into Mars Oil P/L	yes	
							054-018184-0	EW	966	Royl Rel.	Mariner Energy Inc. (see note 1)						
											• FMP 20608103651 Total	960	27.4	1.96%			
											Amberjack P/L Total	10,535					
22 *	Mars	Clovelly	MC 807 A	MC 807 A	20608173650	Mars	754-393002-0	MC	807	12.50%	Shell Offshore				Mars Oil P/L	yes	
						Europa	754-395016-A	MC	935	12.50%	Shell Offshore						
						King	054-008852-0	MC	764	12.50%	BP Expl. and Prod.						
											• FMP 20608173650 Total	24,540	28.2	2.30%			
											Mars Oil P/L Total	24,540					
23 *	Mars	Clovelly	MC 809 A	MC 809 A	20608173651	Ursa Crosby	754-393012-A	MC	854	12.50%	Shell Offshore				Ursa P/L (Mars Oil P/L)	yes	
							754-398012-A	MC	899	12.50%	Shell Offshore						
											• FMP 20608173651 Total	17,250	29.6	2.10%			
											Ursa P/L Total	17,250					
24	Poseidon	Houma	GB 72 A	GB 72 A	20608072950		054-012631-0	GB	117	16.67%	Flextrend Development Co.				Poseidon P/L	no	Poseidon
							054-013363-0	GB	72	16.67%	Flextrend Development Co.						
											• FMP 20608072950 Total	235	36.2	0.74%			
24	Poseidon	Houma	EW 1003 A	EW 1003 A	20608102952	Prince TLP	754-398001-A	EW	1003	12.50%	El Paso				Poseidon P/L	no	Poseidon
											• FMP 20608102952 Total	325	30.1	1.25%			
24	Poseidon	Houma	ST 204 B	ST 204 B	20177152952		054-001572-0	ST	189	16.67%	El Paso				Poseidon P/L	no	Poseidon
							054-016432-0	ST	204	16.67%	El Paso						
											• FMP 20177152952 Total	1,135	48.9	0.05%			
											Poseidon P/L Total	1,695					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell
25	LLS	St. James	GB 128 A	GB 128 A	20608072601	Conger	054-009216-0	GB	215	16.67%	Amerada Hess Corp.				Central Gulf Gathering System into	no	STUSCO
						Salsa	054-014221-0	GB	172	16.67%	Shell Offshore				Tarpon P/L into Ship Shoal P/L	yes	
						Cinnamon	054-015540-0	GC	89	16.67%	Apache Corp.						
						Sangria	054-016702-0	GC	177	Royl Rel.	Spinnaker Exploration Co.	(see note 1)					
						Elmer	754-395001-A	GB	83	16.67%	Shell Offshore						
						Enchilada	754-395002-A	GB	128	16.67%	Shell Offshore						
											• FMP 20608072601 Total	(see note 5)	52.0	0.40%			
25	Bonito	St. James	GB 128 A	GB 128 A	20608077000	Conger	054-009216-0	GB	215	16.67%	Amerada Hess Corp.				Auger P/L into Ship Shoal P/L or:	yes	
						Salsa	054-014221-0	GB	172	16.67%	Shell Offshore				Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
						Cinnamon	054-015540-0	GC	89	16.67%	Apache Corp.				Auger P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
						Sangria	054-016702-0	GC	177	Royl Rel.	Spinnaker Exploration Co.	(see note 1)					
						Elmer	754-395001-A	GB	83	16.67%	Shell Offshore						
						Enchilada	754-395002-A	GB	128	16.67%	Shell Offshore						
											• FMP 20608077000 Total	4,440	38.2	0.80%			
											(see note 5)						
											Garden Banks 128 Total	4,440					
26a *	TXG	Texas City	Segment I (GA 256 SSTI)	GA 209 B	20427060150		054-003229-0	GA	192	16.67%	ExxonMobil Corp.				HIPS P/L	yes	
							054-003237-0	HI	193	16.67%	ExxonMobil Corp.						
							054-006093-0	GA	209	16.67%	ExxonMobil Corp.						
											• FMP 20427060150 Total	510	33.9	0.10%			
											HIPS Segment I Total	510					
26b *	TXG	Texas City	EB 159 A	EB 159 A	20608040150		054-002645-0	EB	158	16.67%	UNOCAL				HIPS P/L	yes	
							054-002646-0	EB	159	16.67%	UNOCAL						
							054-002647-0	EB	160	16.67%	UNOCAL						
							054-017227-0	EB	114	16.67%	UNOCAL						
											• FMP 20608040150 Total	320	40.6	unknown			
26b *	TXG	Texas City	HIA 563 B	HIA 563 B	20427090158		054-002384-0	HI	A 555	16.67%	Chevron Texaco				HIPS P/L	yes	
							054-002388-0	HI	A 563	16.67%	Chevron Texaco						
											• FMP 20427090158 Total	150	35.8	0.26%			
26b *	TXG	Texas City	EB 160 A	EB 160 A	20608040151		054-002647-0	EB	160	16.67%	UNOCAL				HIPS P/L	yes	
							054-002648-0	EB	161	16.67%	UNOCAL						
							054-014204-0	EB	117	16.67%	BP Expl. and Prod.						
							054-017237-0	EB	205	Royl Rel.	UNOCAL	(see note 1)					
											• FMP 20608040151 Total	310	37.0	unknown			
26b *	TXG	Texas City	HIA 536 C	HIA 536 C	20427090155		054-002696-0	HI	A 531	16.67%	Newfield Exploration				HIPS P/L	yes	
							054-002696-0	HI	A 531	16.67%	Hunt Oil Company						
							054-002697-0	HI	A 536	16.67%	Newfield Exploration						
							054-002698-0	HI	A 537	16.67%	Newfield Exploration						
							054-017188-0	HI	A 510	16.67%	Hunt Oil Company						
							054-017188-0	HI	A 510	16.67%	UNOCAL						
											• FMP 20427090155 Total	260	33.5	unknown			
26b *	TXG	Texas City	HIA 582 C	HIA 582 C	2042709015E		054-002388-0	HI	A 563	16.67%	Chevron Texaco				HIPS P/L	yes	
							054-002719-0	HI	A 582	16.67%	Chevron Texaco						
							054-018959-0	HI	A 581	16.67%	Chevron Texaco	(see note 3)					
							054-018959-0	HI	A 581	16.67%	Devon Energy						
											• FMP 2042709015E Total	1,650	48.3	0.13%			
											HIPS Segment II Total	2,690					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Offshore Delivery Point	Volume Metered at	MMS Facility Measurement Point No.	Common Industry Name	Producing MMS Lease or Unit Agre. No.	Area	Blk	Royalty Rate	Operator	Delivery Point Royalty Volumes (bbls/day)	Gravity	Sulfur	Pipelines	Common Carrier(s)	Buy/Sell
26c *	TXG	Texas City	HIA 595 C	HIA 595 C	2042709015C		054-002393-0	HI	A 573	16.67%	UNOCAL				HIPS P/L	yes	
							054-002721-0	HI	A 595	16.67%	UNOCAL						
							054-002722-0	HI	A 596	16.67%	UNOCAL						
							054-002757-0	HI	A 382	16.67%	UNOCAL						
							• FMP 2042709015C Total					230	33.6	unknown			
26c *	TXG	Texas City	HIA 573 B	HIA 573 B	2042709015B		054-002392-0	HI	A 572	16.67%	UNOCAL				HIPS P/L	yes	
							054-002393-0	HI	A 573	16.67%	UNOCAL						
							754-390002-0	HI	A 571	16.67%	UNOCAL						
							054-002757-0	HI	A 382	16.67%	UNOCAL						
							• FMP 2042709015B Total					325	35.7	unknown			
26c *	TXG	Texas City	IP#4/SEG III (HIA 546 SSTI)	HIA 376 A	20427110152		054-002750-0	HI	A 365	16.67%	Anadarko Petroleum Corp				HIPS P/L	yes	
							054-002754-0	HI	A 376	16.67%	Anadarko Petroleum Corp						
							• FMP 20427110152 Total					235	35.0	0.43%			
26c *	TXG	Texas City	HIA 379 B	HI 379 B	20427110153		754-393023-0	HI	A 384	16.67%	Kerr-McGee				Kerr-McGee private line into	no	Kerr McGee
							• FMP 20427110153 Total					185	37.6	0.32%	HIPS P/L	yes	
							HIPS Segment III Total					975					
							HIPS Segment I, II, & III Total					4,175					
							Grand Total (84 FMPs)					116,015					

* To be offered on a 6-month basis only

- STUSCO contact for HLS properties, all deliveries at Empire: Brett Jones (713-277-5534)
- STUSCO contact for LLS properties, all deliveries at EI 188: Chuck Morelli (713-277-5535)
- Poseidon Pipeline contact: James Hostetler (720-956-3054)
- Coastal Pipeline contact: Carol Landis-Eldridge (832-676-3546)
- Exxon Mobil contact for TXG properties: Chester Morris (713-656-4792)
- Kerr-McGee contact for TXG properties: Pennie Green (405-270-4027) or Beth Sachs (281-618-6605)
- Marathon contact for Marathon Pipeline Incentive Program (see Exhibit D): Ted Skinner (713-296-3719) or Bruce Norcini (713-296-3738)
- MPOG contact: Stephan Chrien (281-366-4746)

note 1: Property in Royalty Relief Status and volume will not be included in deliveries to purchaser until further notification.

note 2: Reserve Commitment Program for Marathon's tariff, see Exhibit D.

note 3: Production from HI A 582 C includes a new lease. Production may vary.

note 4: VR214 A is currently under repair and no oil is being produced or metered at this location. Prior to repairs production est. was 300 rbpd.

note 5: All production currently flowing down Auger P/L (Bonito) although Central Gulf Gathering System (LLS) continues to be an option.

**CONTINGENCY FOR OUTRIGHT PURCHASE
IFO No. 1435-02-03-RP-40403**

Introduction

In the event the Department of Energy rejects any offer for redelivery into the Strategic Petroleum Reserve of exchange oil related to a successfully awarded royalty oil package from this MMS Invitation for Offer (IFO), the MMS award will be for an outright purchase at the offshore delivery point specified in Exhibit A, rather than an exchange.

MMS will notify successful offerors by February 13, 2003, of any royalty oil packages awarded as an outright purchase rather than an exchange. **Any outright purchases of royalty oil packages will be for a 12-month term beginning April 1, 2003, and will end on March 31, 2004 or September 30, 2003 for packages 10, 21, 22, 23, and 26.** Payment terms are governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," previously signed by the offeror and MMS.

Pricing Mechanism

For any royalty oil package awarded as an outright purchase rather than an exchange, the accepted IFO offer ("X") will be used to price the royalty crude oil and will represent an increment or decrement from the following pricing formula:

(Koch Posting + Platts P+) - (Platts WTI - Platts Crude Type Price)

Where: Koch Posting: Koch Supply and Trading's posting for West Texas/New Mexico Intermediate (WTI), deemed 40° API, for the *Physical Month of Delivery*

Physical Month of Delivery: The calendar month during which delivery of crude oil occurs

Platts P+: Platts Oilgram Price Report (Platts) arithmetic average of the daily high and low price quotes for "P-Plus WTI" for the *Platts Month of Delivery*

Platts Month of Delivery: Refers to quotes in Platts for the period of time from the 26th day of the month two months prior to the Physical Month of Delivery through the 25th day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Platts WTI: The arithmetic average of the daily high and low price quotes for WTI for the Platts Month of Delivery

Platts Crude Type Price: The arithmetic average of the daily high and low price quotes for the crude type that is the subject of the bid (HLS, Eugene Island, Bonito, LLS, Mars, TXG (Platts WTI) or Poseidon) for the Platts Month of Delivery

Pre-qualification and Credit Requirements

For royalty oil packages awarded as outright purchases rather than as exchange agreements, all pre-qualification and credit requirements outlined under this IFO will continue to apply, with the following modifications. If required, the financial assurance amount shall be sufficient to cover the

value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS, as previously notified. The financial assurance must be effective for a period beginning on the date of first delivery under the contract and ending when final payment under the contract is verified. The value of the financial assurance should be calculated as the price/barrel using the above pricing mechanism plus the submitted offer applied to the February 2003 delivery month. Alternatively, the most currently available Platts pricing data may be used instead of Platts Month of Delivery.

Any questions regarding calculation of the financial assurance amount should be directed to Larry Cobb at 303-231-3307. Failure to provide adequate financial assurance when requested may result in a loss of award unless the date is extended by the MMS Contracting Officer.

**Marathon Pipe Line LLC
Incentive Rates**

Exhibit D

**Marathon contacts: Ted Skinner (713-296-3719) for South Pass-West Delta properties
and Bruce Norcini (713-296-3738) for Eugene Island properties**

Offer Pkg	Delivery Point	Incentive Program Rate	FERC Number
3	SP 87 D	\$0.850	32
3	SP 86 C	\$0.850	32
3	WD 79 A	\$0.450	33
13	VR 369 SSTI	\$1.270	46
13	SM 137 SSTI	\$1.079	46

Note: Line loss based on actuals. See published FERC tariff for property specific information.

MMS/MRM/RIK
Mail Stop 330B2

(Address)

Dear (Title, Name):

The Minerals Management Service (MMS) has selected one or more offshore Federal leases in the Gulf of Mexico (GOM) that you operate to be included in a royalty in kind (RIK) program in which we will take crude oil royalties in kind beginning April 1, 2003.

This letter provides the procedures and establishes the terms and conditions under which the United States (Lessor) will take crude oil royalties in kind. Our authority is the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. § 1353) and the royalty provisions contained in your Federal lease. For the purposes of this letter, Royalty Oil means the Federal lease oil and condensate production multiplied by the lease royalty rate. The volumes of Royalty Oil taken in kind by the Lessor will reflect and be consistent with all grants of royalty relief.

Term

The Lessor will take all Royalty Oil in kind from the properties listed in the enclosure beginning April 1, 2003, and will continue taking royalties in kind until we notify you that in kind status is terminated. We will provide Lessees and Operators with at least a 45-day prior written notice of termination of in kind status.

Royalty Oil Delivery

The delivery points for Royalty Oil produced from the properties is at the Facility Measurement Point (FMP) or first interconnect into a main pipeline, as identified in the enclosure. The Lessor or its designee will take custody and responsibility for Royalty Oil at the delivery point. You can be reimbursed for transportation and quality bank credits of Royalty Oil to any delivery points identified in the enclosure that are downstream of the FMP. If gathering upstream of the FMP has been approved by MMS, you may take this deduction on the Report of Sales and Royalty Remittance (Form MMS-2014). You will be required to report quality bank debits and credits for properties where the quality bank is passed back to the operator/producer, as allowed in applicable MMS regulations.

Royalty Oil must be placed in marketable condition at no cost to the Lessor. Marketable condition means the condition generally acceptable to purchasers in the field or area. Questions on marketable condition should be directed to the Lessor's points of contact identified in this letter.

You must deliver all Royalty Oil from the selected leases, including Royalty Oil from newly producing wells on these leases. During the in kind period, you will make the best effort to notify the Lessor's designated point of contact of newly producing properties flowing to the FMP identified in the enclosure. Royalty Oil from such new properties will be added to the RIK volumes at the existing

delivery points only upon mutual consent of the purchaser and the Lessor.

Fulfillment of Royalty Obligations

Delivery of the accurate volume of Royalty Oil (taking into account the effects of normal operational imbalances) in accordance with the terms of this letter will satisfy in full the Lessee's royalty obligation to the Lessor. For properties where the Lessee has applied for deepwater royalty rate relief, you may use the proposed royalty rate in the interim before MMS/Offshore Minerals Management (OMM) approves the reduction. If OMM does not approve the royalty rate reduction, the resulting imbalance will be resolved in the same manner as described below for imbalances not remedied within 90 days (see "Balancing Account and Imbalances"). All rent or minimum royalty obligations remain the responsibility of the Lessee. If the Lessee owes minimum royalties, the Lessor will issue a bill including information supporting the calculation. The Lessee will have 30 days to review the bill and make payment or appeal the bill.

Lessor's Obligation to Take

We agree to take 100 percent of the Royalty Oil delivered to the delivery point for the account of the Lessor. Using reasonable and customary industry practices, we will try to minimize imbalances with you and the Lessees.

To facilitate timely and accurate custody transfer of Royalty Oil, we will communicate with you regarding arrangements for the transfer of Royalty Oil from the delivery point. The Lessee will not incur royalty related penalties because of the Lessor's failure to take delivery of oil volumes as communicated by the Operator.

Communication with Lessor

No later than 10 business days before the first day of each month, you must notify the Lessor in writing via facsimile (303-231-3846) or e-mail addressed to our mailbox (rik.project@mms.gov) of the daily Royalty Oil volumes (Avals) anticipated for the following month of production for each of the delivery points identified in the enclosure. On this same schedule, for each of the delivery points, you will also provide any anticipated volume adjustments to resolve previous months' imbalances. The total volumes to be delivered to our purchaser at each of the delivery points must be indicated on the same schedule as a volume net of anticipated production plus or minus any adjustments. The Lessor understands that any such estimates are not warranties of actual deliveries but are provided to facilitate planning.

You must also use reasonable efforts, consistent with industry practice, to inform the Lessor as soon as practical regarding significant changes to the information listed in the enclosure; e.g., oil production levels, oil type, and/or royalty rates for the RIK contract properties.

Volume Reconciliation

You must provide the pipeline with the volume allocation for MMS' Royalty Oil separately from other take in kind owners.

You must send all volume allocation schedules provided to pipeline companies that address Royalty Oil

volumes at the delivery points in the enclosure to MMS within 5 days of their submittal to the pipeline companies unless otherwise approved by MMS.

You must provide the lease imbalance statement to MMS no later than 45 days after the end of the month of production, unless MMS approves an alternative timeframe for submission of the statement. We will monitor and reconcile royalty entitlements with the Royalty Oil deliveries you make. Reconciliation will involve communication between you and the Lessor. Upon project termination, you must issue a final oil imbalance statement. You will settle in accordance with the section "Balancing Account and Imbalances." Volume allocation schedules and lease imbalance statements should be submitted to the rik.project@mms.gov mailbox.

Balancing Account and Imbalances

You and MMS will jointly monitor imbalances between delivered and entitled volumes of Royalty Oil. You will take timely action to remedy such imbalances through adjustments to Royalty Oil volumes delivered to MMS. Such volume adjustments will be identified in your communication of Royalty Oil volumes anticipated before the month of production (see above under "Communication with Lessor").

Imbalances will be remedied in the production month following the month that the imbalance is identified. Imbalances not remedied within 90 days of the end of the production month will be resolved as follows:

- Mutually agreed upon make-up delivery schedule, or
- Cash out payment based on the contract price per the terms of Exhibit C – Contingency for Outright Purchase (at the delivery point) that MMS actually received (or would have received) from its Purchaser during the month or months that the imbalance occurred. Interest will accrue from 60 days after notification that cash out payment is due.
- When royalties are no longer taken in kind or after cessation of production from a lease, imbalances will be cashed out based on the MMS contract price (at the delivery point) for the last month the lease is taken in kind. Interest will accrue from 60 days after the final month of delivery. Imbalances remaining at the time of any sale/assignment of properties identified in the enclosure will be settled in compliance with your Purchase and Sale Agreement assignments.

Reporting

You must continue to report crude oil production on the Oil and Gas Operations Report (OGOR) under requirements specified in MMS regulations and the MMS *Minerals Revenue Reporter Handbook* at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/RevenueHandbook.pdf>. You will not be required to report Royalty Oil for the RIK properties listed in the enclosure on the Form MMS-2014 for the term during which the Lessor takes royalty in kind, with the exception of properties noted as Royalty Relief. You must continue to report these properties on the Form MMS-2014 per the MMS regulations. Reporting does not change for non-RIK leases.

Lessor's Designee

The Lessor may act by or through a duly authorized designee. Enclosed is a list of designees, including

contacts. The designee will agree in writing to comply with all provisions of this letter that are applicable to the Lessor when the designee acts on our behalf. You are allowed, but not required to direct communications to our designee. You are required to direct communications to us. We will provide written notification when the designee changes or is no longer authorized to act on our behalf for the purposes of this letter.

Audit

The Lessor may audit your records regarding all information relevant to volumes and qualities of Royalty Oil produced, measured, delivered, and, if applicable, transported. We reserve the right to examine your financial records for the subject properties related to any transportation allowances and quality banks prior to the delivery point.

Lessees, Operators, and revenue payors must maintain all records of transactions mentioned in the above paragraph in accordance with the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (Public Law 104-185 Section 115(f)).

Lessor's Points of Contact

Copies of all correspondence between the Operator and Lessor should be kept on file by the Operator. Points of contact for the Lessor are listed below:

- Volume Avails (Anticipated Volumes), Volume Allocation Schedules, and Operator Imbalance Statements:

You will be contacted with this information.

- New Lease Production:

Ms. Crystel Tobar

Telephone: 303-231-3126; Fax: 303-231-3846

E-mail: Crystel.Tobar@mms.gov or;

Mr. Richard Fantel

Telephone: 303-231-3502; Fax: 303-231-3846

E-mail: Richard.Fantel@mms.gov

- Reporting Issues:

Mr. Andy Sandoval

Telephone: 303-231-3777; Fax: 303-231-3700

E-mail: Alfonso.Sandoval@mms.gov

- Electronic Funds Transfer:

Mr. Joe Romero

Telephone: 303-231-3123; Fax: 303-231-3501

E-mail: Joseph.Romero@mms.gov

- Marketable Condition Questions:

Mr. Roman Geissel

Telephone: 303-231-3226; Fax: 303-231-3473

E-mail: <mailto:Roman.Geissel@mms.gov>

We acknowledge that you and the Lessees have given proper notice when using the telephone number or fax number provided to communicate with us. Any telephone communication regarding volumes must be confirmed by fax or e-mail no later than 1 business day after telephone communication occurs. We further agree to make arrangements to receive such communications regarding oil scheduling issues during normal business hours. You and the Lessees should communicate with one of the points of contact to answer any further questions.

The Paperwork Reduction Act

The Paperwork Reduction Act of 1995 requires us to inform you that this information is being collected by MMS to document fulfillment of royalty obligations on minerals removed from Federal lands and that we will use this information to maintain and audit lease accounts. We estimate the burden for reporting is 10 minutes per property per month. Comments on the accuracy of this estimate or suggestions for reducing this burden should be directed to the Information Collection Clearance Officer, Minerals Management Service, 1849 C Street, NW, MS 4230, Washington, DC 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Departmental Regulations (43 CFR 2). An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

Sincerely,

Milton K. Dial
Assistant Program Director
for Royalty In Kind

Enclosure